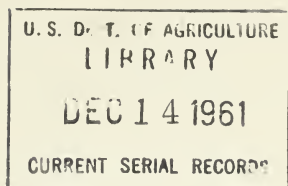


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# **FOREST TAXATION**

*in*

# **LOUISIANA**

**William C. Siegel**

**Joe D. Perry**

**SOUTHERN FOREST EXPERIMENT STATION**

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**Forest Service, U. S. Department of Agriculture**





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# FOREST TAXATION IN LOUISIANA

This report is a statistical summary of a 1960 study of forest taxation in Louisiana. The purposes were to determine trends during the preceding twenty years and to trace preliminary effects of the 1954 Forest Tax Law. Past and present legal bases for taxation are briefly reviewed and the sampling method is described.

## LEGAL SETTING

### Forest Tax Legislation

Prior to January 1, 1955, land and timber were assessed together in Louisiana. Act 759, adopted by the State Legislature on November 2, 1954, amended Section I of Article X of the State Constitution to provide that the land alone be subject to ad valorem taxation.<sup>1</sup>

A general severance tax also was formerly levied on timber. It ranged from 25 cents to \$1.50 per MBF for sawtimber, depending on species, and was 15 cents per cord for pulpwood. The entire severance revenue was allocated to the State Forestry Commission.

The new law superseded the general severance tax and in principle placed Louisiana's woodlands on a yield tax basis. Nevertheless this mandatory levy on timber harvested is still officially called a severance tax. Under it sawtimber is taxed at 2¼ percent and pulpwood at 5 percent of current average market value for stumpage by species. Seventy-five percent of the receipts are returned to the parishes where the timber was cut and twenty-five percent to the State General Fund. Virgin timber, for practical purposes nonexistent, is still subject to the old law.

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<sup>1</sup> *Acts of the Legislature, State of Louisiana, Regular Session 1954, Extraordinary Session 1953, and Constitutional Amendments Adopted 1952.* Baton Rouge, 1684 pp. 1954.

Not supplanted by the 1954 law was a reforestation contract severance tax enacted in 1922 by Legislative Act 90 of that year. The act and subsequent amendments permit landowners who reforest denuded land to enter into contract with the State and parish for a fixed assessment on both the land and the planted timber. A 6 percent severance tax is paid on products cut. After a maximum of 50 years from the date of contract, the land and any timber remaining thereon become subject to regular ad valorem taxation. Three-fourths of the severance revenue is returned to the parishes where the timber was cut, while one-fourth goes into the State General Fund. An amendment passed in 1926 provides that contracts entered into can be made retroactive.

In recent years acreage involved has been declining. The first contracts were let in 1933. The peak year was 1946, when 621 thousand acres were reported under contract. By 1959 only 450 thousand acres remained (3, 5, 6, 7, 8) <sup>2</sup>.

The new law requires all woodlands, except those under reforestation contract, to be placed in one of four categories: tidewater cypress, hardwood, longleaf pine, and other pine. In most parishes no more than two of these types are found. Most of the State's timber is classified either as other pine or hardwood. The new classification system is far simpler than the old, which had numerous categories. Transition from one to the other, however, has not been easy. In 1956 only 9 percent of reported forest land was legally classified. By the end of 1959, the percentage had risen to 40 (2). Although eight classifications were still being used in addition to "miscellaneous land," which may or may not be forest, there has evidently been a steady effort to apply the law.

### **Real Property Taxation in Louisiana**

The State Constitution specifies that property be taxed in proportion to its actual cash value (4). It defines taxable property to include real property, movable personal property, other personal property, and mixtures of the foregoing (Revised Statute 47: 1980). It further provides that real estate be assessed at actual market value and so listed on the tax rolls. Assessments are subject to annual approval by a board of review within each parish. After the approval each assessor must furnish the State Tax Commission an abstract by property class of all valuations within his parish. The State Homestead Exemption Act of 1934 provides that upon the owner's application, any homestead in the city or the country may be exempted from taxes on the first \$2,000 of assessed valuation.

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<sup>2</sup> Italic numbers in parentheses refer to Literature Cited, p. 12.



For war veterans, additional exemptions are provided. Veterans of either World War II or the Korean War receive a total exemption of \$5,000 for five years. For veterans of both wars, the exemption is for ten years. In rural areas, parcels of land separate from the home tract may be included in the exemption, either to an aggregate of 160 acres or to the amount of the exemption. Exemptions apply to most State and local property taxes, but with some exceptions. City taxes are exempt only in New Orleans. Since August 1956, water, sewerage, and lighting district taxes are no longer exempt unless they are parish-wide.

Local units are reimbursed from the State property tax relief fund for the amount of the exempted taxes. This fund is supported by the State alcoholic beverage, income, and public utility taxes. In recent years the State has been returning more money to the parishes under this act than it has been receiving from its portion of ad valorem taxes.

Upon receipt of parish assessment abstracts, the Tax Commission can adjust group valuations within and among parishes. Ostensibly this is to achieve equalization, as provided for by law. Nevertheless assessments have been raised to help meet State budget requirements since the Louisiana ad valorem tax rate is fixed in the Constitution at 5¾ mills.

Though market value is required by law, most assessments are considerably lower and have been so for many years. Tax statutes permit parishes to levy on as little as 25 percent of the total assessment. To offset the prevalent under-valuations, however, most apply millage to the entire amount.

Unlike the State, parishes have wide latitude in setting rates. Therefore, as local revenue needs have increased, general practice has been to raise millage. Even so, local levies are often well below constitutional limits. Except in Jackson and Orleans Parishes the general parish tax may not rise above 4 mills. Limits on the parish-wide school maintenance and general municipal taxes are 5 and 7 mills respectively. The levy for a single public improvement cannot exceed 5 mills and the aggregate may not surpass 25. The Constitution sets no limit on local school taxes other than for maintenance purposes.

## STUDY METHOD

The 1959 tax rolls for each parish were sampled for information on assessments, millage, and taxes. The State Constitution requires that duplicate copies of the rolls be submitted annually to the State auditor before November 15. After audit, the records, arranged by

ward within parishes, are filed by the Tax Commission and made available for public inspection. Aggregate holdings within wards are usually listed alphabetically by ownership. Within holdings, assessments by type are usually given separately but with only the total tax recorded.

Holdings larger than 499 acres comprise more than half the State's forest land. The relatively few such ownerships made it feasible to control sampling error by taking data on all of them. The data included forest acreage, forest assessment, total assessment (all assets combined), forest protection tax, and total tax. Tracts of less than 500 acres were sampled by taking a random start from among the first thirty on a parish roll; complete data were taken from this entry and every thirtieth thereafter. To enhance accuracy of acreage estimates, the forested acreage of every fifteenth entry was also recorded.

To establish trends, the procedure used for the 1959 data was followed for nine selected parishes at 5-year intervals beginning with 1939. The parishes were Beauregard, Concordia, Iberville, Jackson, La Salle, Richland, Sabine, Washington, and Webster. These constitute a good geographic distribution, typify ownership conditions, and afford proportional representation of forest types throughout the State. They are the same parishes that Craig (1) studied earlier. Time and expense limitations precluded sampling by forest type and condition class as was done by him, but each of these parishes has a predominant timber type.

### ASSESSMENT LEVELS AND TRENDS

The assessor and his approach to valuation are the foundation of the property tax system. Even for those who are well trained and experienced, judging the worth of property, particularly woodlands, is more art than science.

For a given millage, the amount of a tax bill is determined by the assessment, which is subject to examination by a parish board of review and appeal by the property owner. Even if all properties within a parish are assessed consistently, their values may still be set above or below similar properties in other parishes and thus contribute disproportionately to State revenues. From parish to parish, assessments tend to vary in direct proportion to per capita income.

Forest assessments in the 9 sample parishes varied widely between 1939 and 1959 (table 1). Iberville Parish has consistently had the lowest valuations—under two dollars per acre—with Concordia not far behind. Richland averaged highest with assessments of over seven dollars per acre except in 1954. Richland is only about

Table 1.—Average assessment per forest acre for 9 sample parishes

Parish	1939	1944	1949	1954	1959
----- Dollars -----					
Beauregard	3.11	3.10	4.03	4.57	5.70
Concordia	2.22	1.92	1.98	2.29	3.59
Iberville	1.71	1.76	1.78	1.68	1.72
Jackson	3.68	3.81	3.84	4.19	5.11
La Salle	2.74	3.58	4.66	5.28	6.85
Richland	7.48	7.71	7.26	5.98	7.29
Sabine	3.62	3.70	3.73	3.61	4.92
Washington	4.12	4.01	4.11	4.29	4.33
Webster	5.79	5.91	5.82	5.96	6.22

40 percent forested (7) and has considerably more valuable agricultural acreage than Iberville or Concordia. The forests of all three parishes are predominantly hardwood (9), and provide only a small portion of the tax base—in part because they are largely on lands that are subject to overflow and thus receive a minimum of public services.

In most parishes assessments fluctuated only slightly between 1939 and 1954 but rose in all between 1954 and 1959. Except in Iberville and Washington, these increases were substantial. The largest gains were 57 percent in Concordia, 36 percent in Sabine, and 30 percent in La Salle.

Figure 1 portrays average forest assessments for the entire

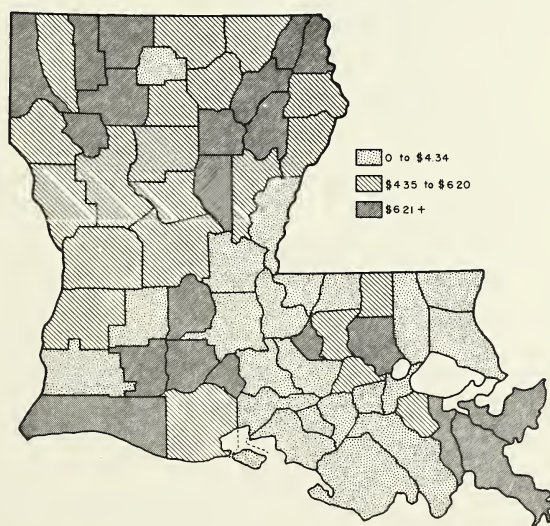


Figure 1.—Average assessment per forest acre, by parishes, 1959.

State. The ranges from which these averages were determined are shown in figure 2. For the State as a whole, 1959 valuations averaged \$5.52 per acre (table 2). Parish averages varied from \$1.63 for

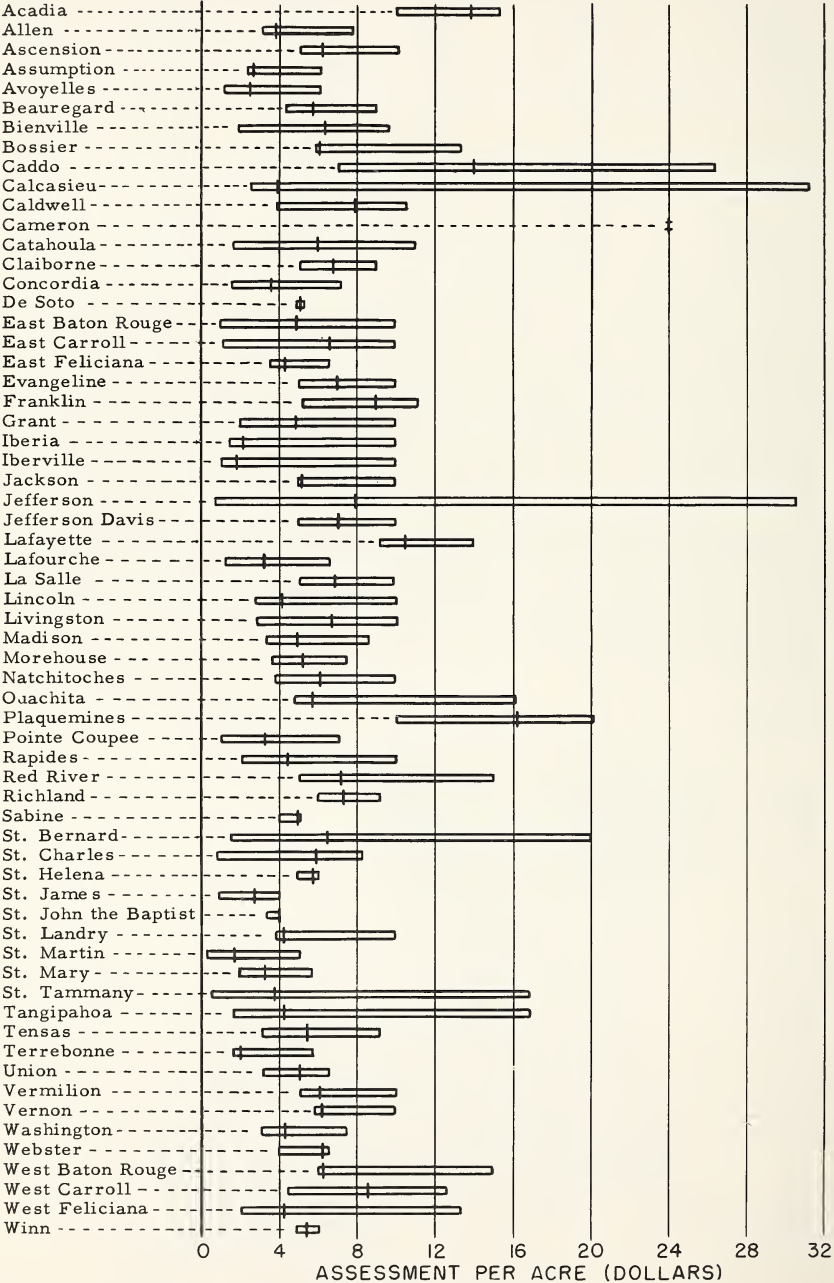


Figure 2.—Range in assessment by parishes. Short vertical lines through bars are the parish averages.



St. Martin to \$20.00 for Cameron. Those falling in the middle one-third (\$4.35 to \$6.20) were chiefly "pine parishes" of north-central and northern Louisiana. The twenty-one parishes having average assessments of less than \$4.35 were mostly in southern Louisiana's cutover cypress areas. Those in the highest bracket—exceeding \$6.20 per acre—were scattered throughout the State. Four—Caddo, Lafayette, St. Bernard, and Jefferson—contain centers of high population density. Cameron Parish, which has the highest average assessment in the State, contains only a very small acreage of forest land, consisting mostly of one- and two-acre "islands." In general, the high-assessment parishes in southern Louisiana are not present or prospective sources of commercial timber.

### TAX AND MILLAGE LEVELS AND TRENDS

Though millage fluctuated widely during the twenty-year period 1939-1959, the general trend in the sample parishes was upward (table 3).

The Statewide average (table 2) was 50 mills per dollar of

Table 2.—*Average assessments, millage, and taxes for forest land, 1959*<sup>1</sup>

Parish	Assessment per acre	Millage per dollar of assessment	Tax per acre
	<i>Dollars</i>	<i>Mills</i> <sup>2</sup>	<i>Cents</i>
Acadia	14.98	28	42
Allen	3.72	64	24
Ascension	6.19	46	29
Assumption	2.70	46	12
Avoyelles	2.56	76	19
Beauregard	5.70	47	27
Bienville	6.38	46	30
Bossier	6.06	35	21
Caddo	13.92	29	40
Calcasieu	3.92	51	20
Caldwell	7.89	45	35
Cameron	20.00	31	61
Catahoula	6.00	54	32
Claiborne	6.77	35	24
Concordia	3.59	57	21
De Soto	5.00	41	21
East Baton Rouge	4.84	38	18
East Carroll	6.51	45	30
East Feliciana	4.28	30	13
Evangeline	6.96	40	28
Franklin	8.89	57	51
Grant	4.79	64	31

Table 2.—*Continued*

Parish	Assessment per acre	Millage per dollar of assessment	Tax per acre
	<i>Dollars</i>	<i>Mills</i> <sup>1</sup>	<i>Cents</i>
Iberia	2.09	53	11
Iberville	1.72	49	8
Jackson	5.11	44	22
Jefferson	7.94	103	82
Jeff. Davis	7.03	37	26
Lafayette	10.49	43	45
Lafourche	3.25	57	18
La Salle	6.85	55	37
Lincoln	4.06	49	20
Livingston	6.65	64	43
Madison	4.89	39	19
Morehouse	5.10	38	19
Natchitoches	6.05	53	32
Ouachita	5.65	42	24
Plaquemines	16.14	54	86
Pointe Coupee	3.27	38	12
Rapides	4.43	61	26
Red River	7.12	38	27
Richland	7.29	40	29
Sabine	4.92	56	28
St. Bernard	6.47	66	43
St. Charles	5.89	44	26
St. Helena	5.73	43	25
St. James	2.72	48	13
St. John the Baptist	3.98	31	12
St. Landry	4.08	45	18
St. Martin	1.63	62	10
St. Mary	3.25	39	13
St. Tammany	3.70	59	22
Tangipahoa	4.19	66	28
Tensas	5.50	40	22
Terrebonne	2.02	57	12
Union	5.01	53	26
Vermilion	5.98	30	18
Vernon	6.08	73	44
Washington	4.33	47	21
Webster	6.22	40	25
West Baton Rouge	6.22	48	30
West Carroll	8.45	47	40
West Feliciana	4.22	22	9
Winn	5.42	51	28

<sup>1</sup> Orleans Parish is omitted, as it contains no forest land.<sup>2</sup> A mill refers to a tax rate of one-tenth of a cent per dollar of assessment, or one dollar per thousand.

assessment in 1959 (\$50 per \$1,000). Individual parishes varied from 22 mills for West Feliciana to 103 for Jefferson. Fifty parishes fell between 30 and 60 mills. Of the ten parishes exceeding 60 mills, most are in central Louisiana or among the "Florida Parishes." Only three—Acadia, Caddo, and West Feliciana—had levies lower than 30 mills.

The tax pattern was one of gradual rises between 1939 and 1954, followed by heavy increases in the subsequent five years (table 4). The largest spurts between 1954 and 1959 were in Concordia Parish, where taxes rose 90 percent, and in Sabine and Beauregard, where they went up approximately 50 percent. These increases are largely due to the rise in forest assessments in these parishes. Of the seven sample parishes with substantial increases in taxes between 1939 and 1959, La Salle had the largest overall gain (270 percent). Iberville and Richland experienced virtually no rise during the two decades.

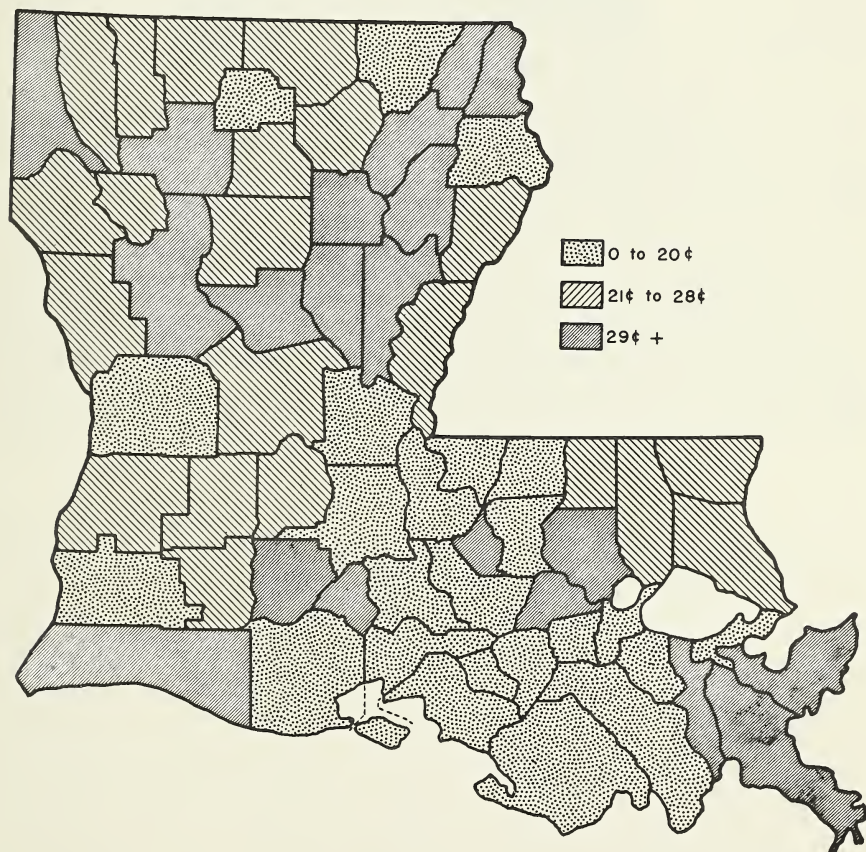


Figure 3.—Average tax per forest acre, by parishes, 1959

The average tax per acre on Louisiana woodlands in 1959 was 28 cents. Individual parishes (table 2) varied from 8 cents per acre for Iberville to 86 cents for Plaquemines. Figure 3 portrays parishes by tax brackets. The one-third with average taxes of 20 cents or less per acre are mostly in southern Louisiana's cutover cypress area.

Table 3.—Average millage per dollar of assessment for 9 sample parishes

Parish	1939	1944	1949	1954	1959
	-----Mills-----				
Beauregard	47	39	43	40	47
Concordia	44	44	48	46	57
Iberville	43	37	53	58	49
Jackson	42	41	37	38	44
La Salle	36	26	38	55	55
Richland	38	39	41	45	40
Sabine	55	49	40	50	56
Washington	29	27	28	35	47
Webster	26	25	30	34	40

Virtually all in the middle bracket (21 to 28 cents) are "pine parishes." Of those with taxes above 29 cents per acre, three—St. Bernard, Jefferson, and Lafayette—are not important timber producers. Their forest acreage is small and likely to diminish further.

Ad valorem receipts from Louisiana's forest lands in 1959 totaled 4 million dollars, comprising about 2.7 percent of all property taxes collected. These do not represent total revenues to local and State governments from forest land. Severance taxes, of which 75 percent are returned to the parishes, yielded about 750 thousand dollars in 1959. Figure 4 shows how severance receipts varied from 1939 to

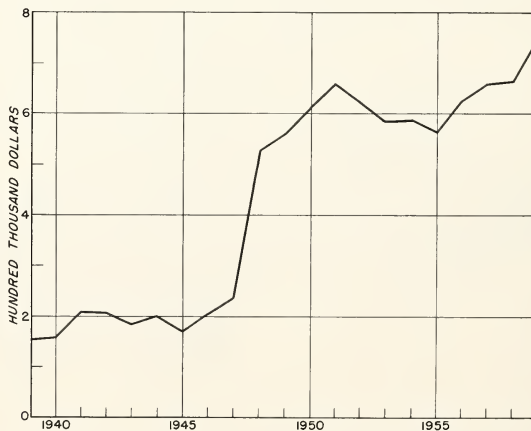


Figure 4.—Statewide severance-tax receipts, 1939-1959.



1959 (6). The big rise after 1947 was largely due to postwar increases in stumpage values and pulpwood production.

The forest protection or acreage tax is collected in 33 parishes (fig. 5). In 21 parishes all forest land is subject to a levy of 2 cents

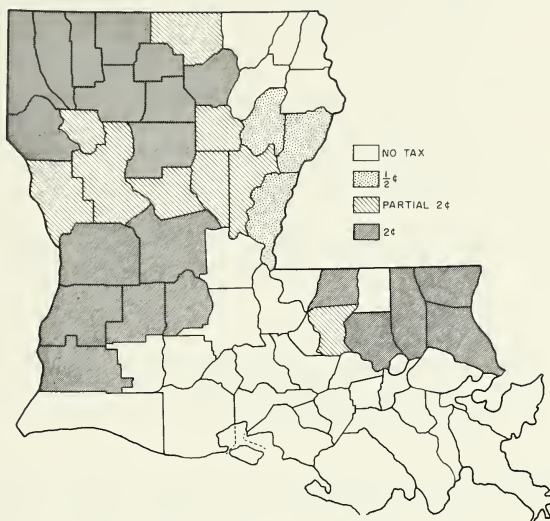


Figure 5.—Protection tax per forest acre, by parishes, 1959.

per acre. In 9 others, only some of the owners pay this tax. In 3 parishes the rate is  $\frac{1}{2}$  cent per acre. Of the parishes that do not collect this tax 29 are either in the southern cutover cypress belt or in the extreme northeast. The thirtieth is St. Helena, one of the Florida Parishes, which has continuously had the worst fire record in the State.

Table 4.—Average taxes per forest acre for 9 sample parishes

Parish	1939	1944	1949	1954	1959
-----Cents-----					
Beauregard	14	12	17	18	27
Concordia	10	8	9	11	21
Iberville	7	7	9	10	8
Jackson	16	15	14	16	22
La Salle	10	9	18	26	37
Richland	29	30	30	27	29
Sabine	20	18	15	18	28
Washington	12	11	12	15	21
Webster	15	15	18	20	25

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## THE FOREST TAXATION LAW

(Adopted November 2, 1954)

An amendment to Section I of Article X of the Constitution of Louisiana levying a severance tax on timber, and classifying and providing for the assessment of forest lands and timber.

### *Section 1 . . . .*

Timber, other than virgin timber, shall be recognized as a growing crop. A severance tax on trees and timber severed from the soil or water is hereby levied at the rate of 2¼% on all forms of timber except pulpwood, and 5% for pulpwood, of the then current average stumpage market value of such timber, to be determined annually on the second Monday of January by the Louisiana Forestry Commission and the Louisiana Tax Commission, such tax to be collected in accordance with the laws for the collection of severance taxes on natural resources, existing at the time of collection.

Commencing on July 1, 1956, seventy-five percentum of the proceeds of the severance tax on timber severed in each parish shall be remitted by the State Treasurer to the governing authority of the parish from which the timber is severed. The remaining twenty-five percentum of the proceeds of the severance tax on timber shall be credited to the State General Fund.

After the effective date of this amendment, no additional value shall be added to the assessment of timber in excess of such value as was included in the assessment of said timber at the time of the adoption of this amendment.

Forest lands are hereby classified for assessment purposes as follows:

1. **TIDEWATER CYPRESS LAND**—Forest land that is adjacent to tidewater and that is supporting a growth of trees which are predominantly cypress or that at some time in the past supported a growth of trees which were predominantly cypress, and which has not been captured or occupied predominantly by commercial species other than cypress.
2. **HARDWOOD LAND**—Forest land that is supporting a growth of trees or shrubs which are predominantly broadleaf species and that in the past supported a growth of predominantly broadleaf species, and which has not been captured or occupied by tidewater cypress or pine. Tidewater Cypress Land, Longleaf

Pine Land, and Other Pine Land on which broadleaf species of commercial importance have become established as predominant species is Hardwood Land.

3. LONGLEAF PINE LAND—Forest land that is supporting a growth of pine predominantly of the Longleaf pine species (*Pinus palustris*) or that at some time in the past supported a growth of longleaf pine and on which other pine species or broadleaf species of commercial importance have not become established as the predominant species.
4. OTHER PINE LAND—Forest land that is supporting a growth of pine predominantly of a species other than longleaf pine or that at some time in the past supported a growth of pine predominantly of a species other than longleaf pine and on which longleaf pine or broadleaf species of commercial importance have not become established as predominant species.

For the purpose of taxation, the assessed value of the above classifications of forest lands shall be determined and the assessment of such lands shall be made in the manner provided by law. After the effective date of this amendment, no additional value shall be added to the assessment of land by reason of the presence of timber thereon in excess of such value as was included in the assessment of said lands and timber thereon at the time of the adoption of this amendment; provided that standing timber shall be and remain liable equally with the land on which it stands for ad valorem taxes levied on said land.

Any provision of this constitution, and particularly of Section I (as amended by Acts Nos. 162 of 1926 and 81 of 1934) and 21 (as amended by Acts Nos. 51 of 1932, 395 of 1938, 392 of 1940 and 546 of 1948) of Article X thereof, and of any law of this state, in conflict with the provisions of this amendment, to the extent of such conflict only, is hereby repealed. Provided, that no contract heretofore entered into under the authority of Section I of Article X of the Constitution as amended and Act No. 90 of 1922, Act No. 71 of 1924 as amended, R. S. 56: 1471 through 1495, and Acts Nos. 120 and 121 of 1926 shall be held to have been impaired by the provisions of this amendment. This amendment shall be self-operative and no legislation shall be required to carry it into effect except as otherwise provided herein. The provisions of this amendment shall take effect on January 1, 1955.

[Sections 2 and 3 omitted]



